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R E V E N U E R E V I E W

Quarterly
Revenue Report
for the
State of Michigan

AUGUST 2006

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>3rd Qtr FY 2004-05</u>	<u>3rd Qtr FY 2005-06</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$4,908.8 million	\$5,131.3 million	4.5%	2.2%

Revenue collections for the third quarter (May–July) of fiscal year (FY) 2005-06 were higher than third quarter FY 2004-05 collections by \$222.5 million or 4.5%. Fiscal year-to-date (FYTD) revenue was up \$315.0 million or 2.2%.

INCOME TAX (NET)

<u>3rd Qtr FY 2004-05</u>	<u>3rd Qtr FY 2005-06</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$1,576.0 million	\$1,629.4 million	3.4%	3.9%

Income tax revenue consists of three components— withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 85% of total income tax collections. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collections, which include income tax refunds, for third quarter FY 2005-06 were higher than third quarter FY 2004-05 collections by \$53.4 million or 3.4%. Withholding payments were up 2.1%, quarterly payments and annual payments were up 2.9%, and refunds were down 5.9%. Net income tax collections FYTD were \$4.5 billion—up \$170.0 million or 3.9% from a year ago.

SALES AND USE TAXES

<u>3rd Qtr FY 2004-05</u>	<u>3rd Qtr FY 2005-06</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$2,066.0 million	\$2,150.2 million	4.1%	1.2%

Sales tax collections are derived from the sale of taxable items such as motor vehicles, furniture, apparel, food consumed at restaurants, and other general merchandise. The use tax is applied to telephone services, leased motor vehicles, hotels and motels, gas and electric utilities, and remote sales.

Sales and use tax collections for third quarter FY 2005-06 were higher than the year-ago quarter by \$84.2 million or 4.1%. Sales tax due to motor vehicle sales decreased 8.2% while all other sales tax collections were up 5.4% in third quarter FY 2005-06 relative to the year-ago third quarter. Sales and use tax collections FYTD were up \$71.4 million or 1.2% from a year ago.

SINGLE BUSINESS AND INSURANCE TAXES

<u>3rd Qtr FY 2004-05</u>	<u>3rd Qtr FY 2005-06</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$605.8 million	\$652.9 million	7.8%	1.7%

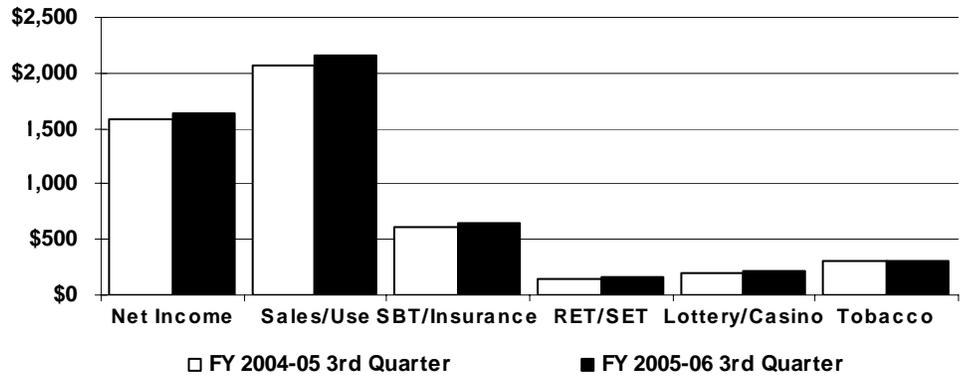
Single business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. For third quarter FY 2005-06, single business and insurance tax collections were above the year-ago third quarter by \$47.1 million or 7.8%. Single business and insurance tax collections FYTD were \$1.6 billion—up \$26.8 million or 1.7% from a year ago.

OTHER REVENUE

<u>3rd Qtr FY 2004-05</u>	<u>3rd Qtr FY 2005-06</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$661.0 million	\$698.8 million	5.7%	2.1%

Other revenue—which includes primarily the state education tax (SET), the real estate transfer (RET) tax, the tobacco tax, and revenue from the lottery—for third quarter FY 2005-06 was up \$37.8 million or 5.7% from the third quarter of FY 2004-05. Other revenue collection FYTD is \$2.3 billion—up \$46.8 million or 2.1% from a year ago.

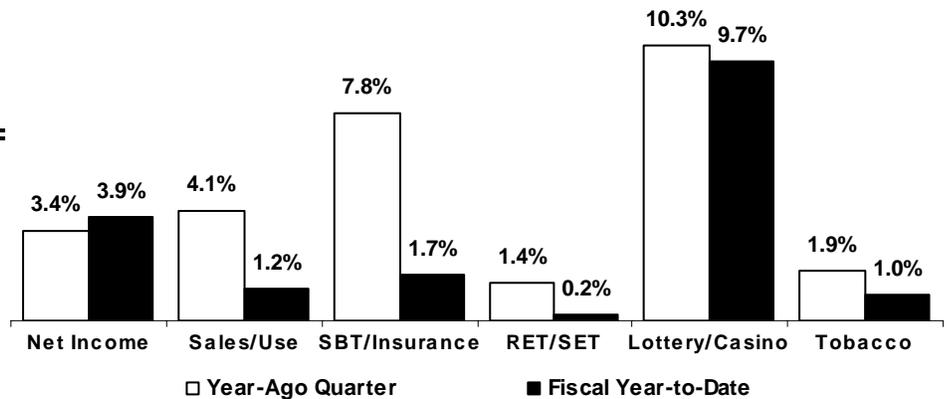
State of Michigan Revenue: 3rd Quarter Comparison
(Millions of Dollars)



Fiscal year-to-date, GF/GP revenue is up \$30 million and SAF revenue is on target.

An unusually large use tax refund of \$30 million and an \$8 million SBT refund will be posted in the fourth quarter; the net result will be revenue that is slightly below target estimates.

State of Michigan Revenue
% Change From Year-Ago Quarter and Fiscal Year-to-Date



Revenue Quarterly Review: 3rd Quarter (May-July) FY 2005-06 (Millions of Dollars)

	FY 2005-06 3rd Quarter	% Change From Year-Ago 3rd Quarter	Change From Previous Fiscal Year-to-Date		FY 2005-06 May Consensus Forecast Growth	
			FY 2005-06 Year-to-Date	Dollar		Percent
Annual Income Tax	\$98.2	-4.7%	\$648.8	\$54.2	9.1%	7.2%
Quarterly Income Tax	162.3	8.1%	544.3	69.6	14.7%	12.3%
Withholding	1,586.0	2.1%	4,884.4	48.2	1.0%	1.4%
Subtotal	1,846.5	2.2%	6,077.5	172.0	2.9%	2.8%
Income Tax Refunds	217.1	-5.9%	1,564.2	2.0	0.1%	4.2%
Net Income Tax	1,629.4	3.4%	4,513.3	170.0	3.9%	2.4%
Sales Tax	1,774.3	3.6%	4,964.0	62.0	1.3%	1.7%
Use Tax	375.9	6.4%	1,038.6	9.4	0.9%	0.7%
Subtotal	2,150.2	4.1%	6,002.6	71.4	1.2%	1.5%
Single Business Tax	599.2	9.0%	1,476.3	37.8	2.6%	-3.2%
Insurance Tax	53.7	-4.1%	167.9	(11.0)	-6.1%	-5.8%
Subtotal	652.9	7.8%	1,644.2	26.8	1.7%	-3.5%
Casino Wagering	39.2	5.9%	116.4	7.7	7.1%	4.5%
Tobacco Tax	302.6	1.9%	863.9	8.6	1.0%	0.0%
Lottery	181.8	11.1%	549.8	51.1	10.3%	6.1%
Industrial/CommFacility Taxes	17.4	46.2%	61.6	(21.7)	-26.1%	-11.0%
Real Estate Transfer Tax	72.1	-12.8%	228.8	0.7	0.3%	2.1%
State Education Tax	85.7	24.6%	489.1	0.4	0.1%	5.0%
Subtotal	698.8	5.7%	2,309.6	46.8	2.1%	3.1%
TOTAL	\$5,131.3	4.5%	\$14,469.7	\$315.0	2.2%	1.6%